"Northern Arc Capital Limited

Q2FY25 Earnings Conference Call"

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MODERATOR: **MR. CHINTAN SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Northern Arc Q2FY25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chintan N. Shah from ICICI Securities. Thank you and over to you, sir.

Chintan Shah: Thank you, Dorwin. Good evening, everyone, and welcome to the Q2FY25 results conference call for Northern Arc. I would like to thank Northern Arc management for giving us the opportunity to host their quarterly earnings conference call.

We have with us from the management, Mr. Ashish Mehrotra, MD & CEO, Mr. Atul Tibrewal, CFO, Mr. Pardhasaradhi Rallabandi, Group Risk Officer and Governance Head, and Mr. Chetan Parmar, Head Investor Relations. So, without further delay, I would now like to hand over the floor to the management. Thank you, and over to you, Ashish.

Ashish Mehrotra: Thank you, Chintan. Thank you all for joining us today. Before we delve into Northern Arc's performance for this quarter, I thought we can take a moment to pay our tribute to Mr. Ratan Tata. He has not only left an incredible mark on our country's economy, but also through his commitment to integrity, innovation and resilience, redefined industries and responsible way of building business. I think this legacy will continue to inspire us as we navigate our business forward. The value of integrity, innovation and resilience provide a strong compass for navigating in today's dynamic world.

We've seen a lot of that coming, both through the regulatory comment on the Fair Practice Code and transparency of standard reinforced by the industry in a commitment to ethical and sustained growth. Together, these measures will essentially strengthen the foundation of responsible finance, guiding us towards bringing our purpose to life.

As we move forward, the way to look at it, we continue to focus on our role in enabling the flow of retail credit to the underserved sectors and we remain deeply bullish on the India retail credit market. The India retail credit market stood at about INR75 trillion as of fiscal year 2024 and has grown at about 16% compared to previous year. The market is expected to grow at CAGR of 16% to 18% between 2024 to 2026 to reach about INR100 plus trillion by fiscal year 2026. The increasing demand and positive sentiments of India retail credit market presents an opportunity both for banks and NBFCs like us to broaden our customer base.

Also, the significance of financial inclusion, which we have been doing for over a decade and a half, has deepened particularly in the post-pandemic era as vulnerable households and business tries to navigate the crisis and achieve recovery. In terms of credit to GDP ratio, India has the lowest penetration as compared to the other developing countries, and there is a significant untapped potential.

With respect to Northern Arc performance in Q2FY25, continuing our guidance from a previous call, I'm pleased to share, we have a growth of about 22% on a year-on-year basis on our assets under management, especially during the times we are facing today.

We ended the Lending AUM at about INR12,309 crores and delivered the most profitable quarter in our history with a net profit of about INR98 crores, which is about 24% growth on a year-on-year basis and for H1FY25 net profit was INR191 crores which is about 33% growth on a year-on-year basis.

Given the current situation, these numbers reflect the power of a diversified financial services business with a strong trajectory and a performance track record to deliver risk adjusted return. The key performance metrics for us, such as yield, cost of funds, net interest margin, operating leverage, operating expenses, and profitability are all on a positive and improving trajectory. Resultantly, our NIMs have been healthy at about 9.1%. A sharp efficiency and productivity resulted in improved operating efficiency as our Opex to Assets ratio was down from 4% to about 3.6% and maintaining a Return of Assets at about 3.1%.

However, in anticipation of the potential stress, which all of you guys would have heard in the many calls that have happened over the last week or so. We've increased our provision coverage on Stage I bucket to 100 bps given the evident stress in the Microfinance sector We just wanted to be more prudent and cautious in our approach. The Microfinance sector has faced significant headwinds on account of hurdles faced due to over-leveraging challenges that surfaced during the quarter. We've highlighted about it in our previous call and in our many meetings from January this year. This environment calls for a heightened prudence, adaptability and a proactive approach to manage risk, and we've demonstrated that.

We believe the situation will begin to stabilize by the end of the financial year. In times like this, the advantage of Northern Arc diversified multi-channel financial services model truly comes into play, as you see in our results. Our proactive approach to dial-up and dial-down across the sectors where we operate enables us to adapt and manage our exposure dynamically, allowing us to drive growth, while maintaining the risk-adjusted NIMs at a very healthy level. And the risk-adjusted NIMs over the quarters have remained in the same range. ensuring our commitment to prudent risk management and to get the significantly better outcome. We continue to monitor some of these trends pretty closely and work on it systematically.

Coming to our ABCD strategy, where A, being a leading platform, B, continue to broad base the franchise, C, is around culture of client centricity, and D for digital data which has really helped us in making this progress.

Our key big steps as we look at strategically is to continue to strengthen our core business, grow the secured segment, which we believe has a good potential for growth, and we've seen the growth and continue to reimagine and monetize some of the big assets we have. To sum up, Northern Arc performance in the quarter demonstrates the effectiveness of our strategic initiatives, discipline approach, and resilience in navigating the headwinds in the market.

And with that, I'd like everyone to go through the presentation. We'll talk about a few of the slides. Northern Arc is a diversified financial services platform, enabling about INR1.89 lakh crores of funding across 11 plus crores households. We have strong tech architecture and a strong data science capability for us to manage risk. If you look at our own distribution footprint which has grown significantly to 370 branches. Right now, given what we are seeing, we've actually put the branch expansion on hold to ensure we also are proactive in managing our cost, and thereby ensuring we deliver the results, and we can dial it up as we see the market environments are more conducive.

And our partnership-based network and the flywheel continues to operate pretty well which ensures smooth flow of credit from origination to fulfilment. We continue to ensure we make strong fee income. Consistently, the balance sheet grew by about 29% CAGR, since June 2021to reach INR12,309 as of September 2024. With a very strong mix of direct to customer lending mix which has now gone to about 52%. The profit after tax has demonstrated a very strong growth trajectory which grew at 38% CAGR since June 2021 to end at about INR98 crores for Q2FY25.

Growth in our AUM with reduction in MFI gives you the way to look at a portfolio which is diversified across the sectors. Our direct MFI exposure is about 11% of our overall lending AUM. We have very prudently managed exposures across the sectors over the years.

If we just move to the following slide on the risk management, we would like to highlight our approach in creating the stringent provisioning framework., We have created higher provision between stage one and stage two, to ensure we are adequately provided for an event. And that's called for prudent and a cautious approach. We've also proactively brought down our MFI exposure over the last few years. And we've been doing this consciously over a period of time.

Coming to our strong technology capability, our data science and analytics capability allow us to identify the right set of cohorts and to get a significantly better outcome.

We have good set of proprietary tech platforms like, Nimbus which caters to B2B flow of credit, and we've done over a trillion rupees of financing using this platform. We are also collaborating with few banks for our tech platforms like nPOS, where we have recently gone live with South Indian and a couple of other banks we're working through to ensure we able to build on it, and all the capabilities.

I'm going to request my colleague Atul to talk about financials, and then we'll open it up for Q&A.

Atul Tibrewal: Thank you, Ashish. Thank you all for joining Northern Arc's second earning call. On the liability front, I think we have been able to maintain a very well diversified funding profile, underpinned by established relations, a relationship with our lenders and investors, proactive liquidity management system and strong credit rating. Our diversified base of lenders includes various banks, offshore financial institutions, debt capital market investors, and they provide a very strong base for the increased funding.

Our credit rating was also upgraded to AA minus by ICRA and India Ratings in March 2023. Additionally, we have made significant progress in strengthening our balance sheet with our debt equity ratio, improving from 3.9x to 2.8x during the first half of the financial year, after our fund raise of INR882 crores in H1FY25, and also adding another INR191 crores by way of profits.

Talking further about liquidity, we remain very comfortable with a positive cumulative mismatch across all the time buckets. Our total borrowings at the end of the quarter stood at INR9,271 crores, with approximately 65% tied to variable interest rate, and this positions us favourably to benefit from the anticipated lower interest rate environment in the future, which is a bit uncertain currently, at least in the near term considering the high inflation and the global uncertainty.

Now coming to the financials, our assets under management have grown at 22% year-on-year, reaching INR12,309 crores as of September 2024. So, with a focus on sectoral diversification and maintaining a granular portfolio, our direct-to-customer mix has actually increased from 43% in September 2023 to 52% in September 2024. The portfolio yields have increased by 80 bps Y-O-Y from 16.4% in H1FY24 to 17.2% in H1FY25, and this has been driven by increased direct-to-customer share to 52%.

With respect to cost of fund, despite the increase in the risk weight for the NBFC exposure and a higher interest rate environment, we have successfully improved our cost of borrowing to around 9%. This improvement reflects our proactive treasury management and diversified lender franchise, which carefully balances the cost of fund with liquidity and ALM. Resultantly, our NIMS have improved from 8.0% in H1FY24 to 9.1% in H1FY25, and the spreads have improved by 100 bps from 7.2% in H1FY24 to 8.2% in H1FY25.

On net revenue, including fees and other income have reached INR1,007 crores in H1 FY25, reflecting a 33% Y-O-Y growth. Fee and other income on a DuPont basis have remained range bound at 0.8% of average total assets. However, this should reach a level of 1% by Q4FY25. Our credit cost of INR130 crores in H1 FY25 denotes 2.1% of the average total assets, and this also include a 40 bps impact due to the change of the ECL methodology that the company had taken to migrate from the net flow models to static pool approach model. The same resulted in increase in the probability of defaults in our direct-to-customer portfolio, and thereby led to increase in stage I provisioning as well.

Our operating costs have improved by 20 basis points YoY to 3.6% in H1 FY25, coming from the various steps we have taken to improve operating efficiencies and productivity across the company. We focus on continuously improving our risk framework. As Ashish earlier mentioned we will continue to invest into building a robust collection framework technology through the credit life cycles of the customer with us. Pre-provisioning operating profit grew by 59% Y-O-Y to INR387 crores in H1FYFY25, and 74% Y-O-Y to INR212 crores in Q2FY25.

Turning to profitability, our PAT for the quarter saw a robust increase of 24% YoY and a 4% growth QoQ, reaching INR98 crores. This marks the most profitable quarter to date. This raised the cumulative PAT for the financial year to INR191 crores for H1FY25, which is a 33% YoY growth.

Thank you and I would like to open the floor for question-and-answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: Good evening. So, the first question is regarding the provision and stress in the microfinance sector. Before that, we had never spoken about this much stress and this much provision coverage we were going to do before IPO or even on any media interaction. So why only after IPO all these things are coming out? I would like to know about your understanding regarding this one.

Pardhasaradhi R.: Thanks, Bala Murali Krishna. To explain, microfinance is a sector, which is cyclical in its nature and from time to time, it sees the risk events either localized or across the country. What we have seen in earlier instances also is that when these cycles come, while there will be some stress, there is recovery from that in a few quarters.

What has happened over the last couple of years is that we have seen some amount of over-leveraging at the borrower level, which has happened across the country. We believe this should correct itself as every cycle goes. In terms of identifying this, for the last one or two quarters, we have actually slowed down our disbursement in the sector and ensuring that regular customers of ours are supported.

But having said that, this is something, which is across the industry, and we have alluded to this as one of the potential stresses in the last quarter as well. The way we look at it, these events and cycles, particularly in sectors like this, are common and it happens normally once every three to five years.

Bala Murali Krishna: So, how is indicator going forward in the coming three, four quarters? How much of this provision trend will continue, or do you expect any downtrend or any uptrend in the coming quarters, three, four quarters down the line?

Pardhasaradhi R.: Yes. First of all, Northern Arc is a very diversified financial services company and our overall exposure to microfinance sector actually has been coming down and it is closer to 18%, of which the direct microfinance exposure is actually closer to just about 11%. The way we look at it, we are adequately provided for the anticipated losses in this sector.

In fact, most of the provisioning that we made for microfinance sector in Q2 and in H1 is actually good book provision. It is not the stage three provision only. And we, in fact we also have a certain amount of overlay on the good book, beyond the models, the way we look at it, the provisions that are held against this portfolio is adequate and should see us through.

Bala Murali Krishna: Yes, that I understood. My question is a direct question. So, we know that stress is there, even before IPO. Also, we know that stress is there. But nowhere, nobody has spoken about the stress in any infractions or anything. So, we have a very low GNPA and NNPA. So, we are speaking about that only. Even though the media ask the question about how we are maintaining this very low GNPA and NNPA, we said that we have a robust platform which underwrite very thoroughly. That is why we have this.

But this stress immediately means sudden burst out. So, this is well aware of in advance also. But we have not spoken about this. That is what we are concerned. So, I request management to be more transparent regarding these things. Positives and negatives, everything should be disclosed. And any questions, which were asked by media interactions or in conference calls, that should be some direct answer rather than giving some indirect answer. So, this is, I think, missed before IPO.

Ashish Mehrotra: Can I just kind of make it very clear, we have spelt out in our first earnings call of what we are witnessing. And I spoke about the trends in each of the sectors, particularly on MFI, MSME and consumer finance. I had one section on each of the sectors when I spoke about what we as the platform are seeing the flow of credit and what it is leading to. If you look at slide number 18, it tells you how a GNPA and NNPA have remained range bound.

Our change in the stance of ensuring that you take appropriate and adequate provisions is more of a cautious and a prudent approach to managing risk that you create. It will be probably a unique company which has 100 basis point provisioning created for a good book, which is on slide number 19, on stage one, which is essentially good book provisioning. And that just reflects the transparency with which management is looking at it and the proactively managing risk and the prudent approach being followed.

You look at the results, it tells you the outcomes, which is both in terms of growth, profit and the overall outcomes are significantly better. We take your feedback, and we duly ensure that we adequately disclose the data in case it gets missed out. But I am very clear of what is being done and this is the prudent approach to managing risk on creating appropriate provisions for a potential stress which could potentially come in way. Thank you.

Bala Murali Krishna: Thank you for the explanation. So, going on, second question is regarding this cost of funding going forward, do you foresee any decrease in the cost of funding as the rate rating also getting improved? So, how much we can expect in borrowing cost?

Atul Tibrewal: Yes. So, I mentioned in my presentation that the cost of funds for us has been coming down. If you see in FY21, our cost of fund was in the range of around 11%. Further, we had over 250 basis points increase in the RBI repo rate since FY22. But in spite of that, our cost of fund has actually come down to a level of around 9%. And it is even lower than what it was last year.

And since we also have got credit rating upgrade from the rating agencies, we will have the tailwinds as far as incremental cost of fund is concerned. Thirdly, as I said, 65% of our borrowings are also linked to benchmark rates of RBI and the bank. As we see the interest rate scenario change, we may enter the lower interest rate environment, we will get more benefit when that cycle changes for the 65% of our portfolio.

Bala Murali Krishna: Okay. Thank you. That's all from my side.

Moderator: Thank you. Ladies and gentlemen, if you wish to ask questions, you may please press star and one. We have the next question from the line of Monshree Soni from MK Ventures. Please go ahead.

Monshree Soni: Yes. Hi. Thank you for taking my question. I wanted to understand your broader outlook in terms of AUM growth now that we're consciously reducing our MFI portfolio. However, our other secured assets are compensating for it. So, I wanted to understand your overall outlook for growth for the next two quarters and for the next year, FY2026 as well?

Ashish Mehrotra: Hi, Monshree. I think like I said earlier, I think we will see ourselves growing anywhere between 25% to 27%. The bigger focus is essentially growing our MSME and the secured book, which is probably a more prudent approach and is broadly in line with our strategy. And we seem pretty confident in ensuring that the risk-adjusted return continues to remain where we are and maybe improve marginally. I think that's the big focus. So, we should be able to get to about 25% to 27% growth rate by end of this financial year. I think that's a very good rate in the current environment.

Monshree Soni: Right. And in terms of our direct-to-consumer share has been increasing. So how many more branches are we looking to open this fiscal?

Ashish Mehrotra: So, right now, we've consciously kept on hold new branch addition because of the current credit environment. We will eventually open as the market trends stabilize a little. We will obviously open more branches for a secured lending. But right now, we've taken a pause around on it.

Monshree Soni: Okay, got it. Sure. Those are my questions. Thank you.

Moderator: Thank you. The next question is from the line of Renish from ICICI. Please go ahead.

Renish: Yes. Hi, sir. And congrats on a good set of numbers. So, just two questions from my side, one on the borrowing side. So, sir, how we see the borrowing mix changing ahead given the expectation of rate cut cycle? And, considering the current environment, are we experiencing any deferment in fund lines from the banks?

Atul Tibrewal: Hi, Renish. So, to answer your second question first, we are not seeing or facing any resistance from the banks as far as Northern Arc is concerned. We have been receiving good lines of funding from all the banks. In fact, State Bank of India, has sanctioned us INR900 crores in September 2024, which we have availed. And there are other banks also. And currently, we are sitting with a liquidity of close to INR2,000 crores, of which around INR800 crores is funded, and INR1,200 crores are still undrawn. So, I think we are quite comfortable with liquidity position. As I also mentioned, in terms of ALM, we are positive. We are not seeing any pullback from the banks.

On the borrowing side, we have a very diversified franchise. Offshore currently forms around 30% of our total liability mix. I think this is a very good mix. And you will not have too many NBFCs in India with around 30% from offshore. Banks' share has come down from a level of around 70% to close to 64%. And as we progress, as we move ahead, we will see this ratio come down to around 50% to 55% level.

Renish: Okay. And just to follow up on that, what's the fully hedged offshore cost for the domestic?

Atul Tibrewal: So, the offshore cost for us would be lower than the normal borrowing that we do from a bank. It will be lower than our average cost of fund.

Renish: Even on the fully hedged basis?

Atul Tibrewal: **Yes.** Fully hedged, fully landed cost for us will be lower than overall cost of fund.

Renish: Okay. And again, my second question is on the credit cost side. So, this quarter has been slightly elevated. And if we go by the in general commentary by a few of the industry players, it seems to suggest that the second half will be, let's say, challenging. So, how do you see asset quality spanning out for us in the second half? And more importantly, where do you see credit costs settling for the full year?

Pardhasaradhi R.: As you mentioned, the market is turbulent in terms of the credit performance of the underlying portfolios. But the way we look at it, we are significantly focused on both early bucket collections and then controlling the forward flow rates. And the way we look at it, and we also have an approach to providing early, providing good book, make good book provisions when market looks turbulent and don't wait for credit losses to crystallize before we make provisions.

The way we look at it, as things stand, things, our focus is on controlling additions to any bucket and controlling roll forwards. At this stage, the way the buckets are, we are adequately provided and the current provision that we hold is reflective of what we expect to be the credit outcomes.

Renish: No, but let's say, internally, how do you foresee the second half? I mean, of course, as of September, we might be provided enough for the flows of the buckets. But what if things deteriorate from here on? I mean, what is your internal assessment?

Pardhasaradhi R.: Right. We expect to hold on to the current levels in terms of provisions that are required or in terms of credit cost that is required for the year. Obviously, that would require some amount of work and focus on collections that we are already putting in. The way we look at it, there's no need for a change in guidance or a change in the provisions that are already made.

Renish: All right. And maybe just a last question to Ashish. So, let's say, given the situation is, do you intend to, let's say, reassess a medium-term strategy in terms of secured or unsecured Asset mix?

Ashish Mehrotra: Like I said, the advantage we have is on the product competence and the network effect we have. Obviously, the urge would be to grow the secured asset base, which we answered to the earlier question and was asked to continue to expand our secured lending businesses.

And that should provide sufficient impetus for us to ensure that we get the risk-adjusted return, which we've spoken earlier and the guidance we gave earlier. So, I'd be pretty confident both on growing that and ensuring that we come close to and better than what we've issued the guidance in terms of the outcome of the year.

Renish: Got it. Okay. That's it from my side. Thank you and best of luck.

Ashish Mehrotra: Thanks Renish.

Moderator: Thank you. Participants who wish to ask questions, may please press star and one. The next question is from the line of Prince Choudhary from PINC Wealth. Please go ahead.

Prince Choudhary: Yes. Thank you for taking up my questions, and congratulations on a good set of numbers. Well, I have a couple of questions. The first is related to business. Suppose you have landed the loan to XYZ originator, and you basically have acted as a guarantor for that originator partner. So, I wanted to understand if the originator partner defaults from their side, then how do you mitigate the risk, because it is also the major concern for our business?

Ashish Mehrotra: Well, I think the way we look at the risk is pretty different. We look at first the entity then we look at the end customer to which we broadly agree to finance, because our core risk principle goes back to the end customers, then the underwriting approach, then the pool of the cohort of assets which is getting earmarked to us, the cash flows of the company, the equity in the company. So, we have a pretty evolved process of evaluating what we are financing.

And that is why if you look at us historically and you look at our credit outcomes in terms of credit costs is better than anyone else. So, it is a pretty evolved model going back to the core genesis of not only to whom you are lending, but to whom the end money will go to and how those customers have been originated, how those are being serviced, how those risk is being sunset, and then tracking them on a monthly, quarterly basis through by visiting the branches, by meeting customers. So, it is a very, very evolved process. It will take us a full day to walk us through, but at the end of the day, it is a pretty comprehensive approach to risk management.

Prince Choudhary: We have not seen any issue, for example, if we have acted as a guarantor for the originator partners.

Ashish Mehrotra: Obviously, we would have and then we look at it differently because you also then have underlying assets. You look at the equity the entity has in play. Those risks at point in time may crystallize. Our approach is pretty proactive in managing them.

Prince Choudhary: Okay. The second question is during this quarter, our investment management services revenue has declined significantly from INR11 crores to INR9 crores. Any specific reasons and also others income, like from INR22 crores to went down to INR8 crores. So, what are the reasons for that and what is included in others?

Ashish Mehrotra: Sure. In our asset management business, there is a maturity of a fund with size of INR450-odd crores. So, that is the reason why you see a drop, but we are having three other funds are getting deployed right now. So, that will catch up over the next two quarters. Atul, you might want to answer on the other income.

Atul Tibrewal: So, other income, you are talking about last year or this year's other income?

Prince Chaudhary: For this quarter.

Atul Tibrewal:

Atul Tibrewal: The other income would also include the income that we generate from our investments in the T-bills. There is a requirement under the LCR guidelines to maintain liquidity and that is maintained by way of investment in T-bills. So, any income that we generate is part of other income. We also would have recovered some interest of, you know, from the income tax refund that we had. So, that is also coming under the other income and some charges that we would have collected. So, largely, it is a mixture of three or four different items.

Prince Chaudhary: All right. And one last question. In your opening remarks, you have mentioned that for stage one, we have increased the provisioning by 100 bps. So, I want to understand which segment, or which sector is getting stressed, like consumer or MSME?

Pardhasaradhi R.: Just to clarify numbers, our stage one ECL was 0.65% as of March 24. We have increased it to 0.8%, in June 2024 quarter and we made it 1.01% as of September 2024.

Prince Chaudhary: Okay. So, it increased from 6% to 8%, right?

Atul Tibrewal: 65 basis point to 100 basis points

Prince Chaudhary: Okay. Okay. Yes, that's it from my side, right?

Moderator: Thank you. Ladies and gentlemen, to ask a question, you may please press star and one. We have the next question from the line of Biswarup Mohapatra from Canada HSBC, Life Insurance. Please go ahead.

Biswarup Mohapatra: Yes, hi. Thanks for the call. And so, my question is on the credit cost. I think some of it is already discussed. So, we are at 2.1% credit cost at H1, FY25. So, as we see, you know, as of now, maybe the situation can change in H2. I completely understand that. So, as it stands, you know, do you see this credit cost for the whole year lower than these levels?

Pardhasaradhi R.: So, as you mentioned, obviously, these things, basically are future things, and we should not be taking this as a guidance of numbers. But having said that, we are reasonably confident that we will be able to maintain credit cost at current levels. And looking at what we are looking at right now, this is something that we are comfortable with.

Biswarup Mohapatra: And any specific regions, where, like, in specific states, where, like, you are facing problems in election?

Pardhasaradhi R.: Not really. Actually, unlike a lot of other events in other cycles earlier, which were a lot more localized, where there are some events like floods or cyclones in some pockets or some geographies, which behave differently from other geographies the current stress that we are seeing, particularly the rural underserved, is pretty widespread and pretty consistent across all the states. And it's more a function of over-leveraging at some cohort of borrowers, and it's not linked to a particular either geopolitical or any of such events.

Biswarup Mohapatra: And lastly, we are approaching the end of October, so do you see the collection efficiency at a similar level as of September? And also, any improvement or data variation, anything you can say?

Pardhasaradhi R.: Not really. Actually, things are, as of 28th October, things are where they were as of 30th September. There is neither a significant improvement or neither there is a deterioration in collection efficiencies.

Biswarup Mohapatra: Okay, thank you. That's all.

Moderator: Thank you. We have the next question from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Good evening, sir. Hope I'm audible.

Moderator: You are audible, sir. You may proceed.

Chinmay Nema: Yes. Sir, could you provide the gross NPA numbers for the different segments that you lend to? So, if you could provide the GNPA numbers for all the six segments?

Pardhasaradhi R.: Yes. As you can see, the GNPA number for the company is 0.6% and the NNPA is 0.18%. The sector-wide splits are broadly in line with the trends that we had, whether it is for March or June, though there is a slight increase in microfinance. But there is nothing which is an alarming trend or which is significantly different. The sector-wide splits are pretty much in line with what we have disclosed in the past and there is nothing which is material to update.

Chinmay Nema: So, it's a pretty standard disclosure request. If you could include it in your deck, that would be great. That's okay. Could you provide some color on the microfinance book in the sense that how much is the share of Northern Arc plus five lenders on your book and how much is the Stage 3 provisioning on that book?

Pardhasaradhi R.: We consciously avoid borrowers where we are the fifth lender or anything like that. Our policy doesn't allow us to take that sort of a book. That is number one. And on your second question of provisioning on Stage 3. For unsecured retail loan, we actually fully provide for as of DPD 90 as prudent risk management framework.

Chinmay Nema: Okay, sir. Got it. And lastly, could you share the cumulative write-off number for the last three years? How much cumulative write-off you have taken over the last three years?

Ashish Mehrotra: So, we will take it offline. So, basically, for the last three years, I will share it separately. We don't have handy at this point of time.

Chinmay Nema: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Anant Mundra from MyTemple Capital. Please go ahead.

Anant Mundra: Hello. Good evening. Thank you for the opportunity. Sir, I just wanted to understand, do we have any exposure to the MFI sector indirectly? Like, have we invested in any of our own MFI partner – which have lent out to the MFI industry? Or have we given any guarantees on behalf of any of the MFI NBFCs?

Ashish Mehrotra: Yes. The way I said in the opening comment, our overall exposure to the sector is about 20% of our balance sheet. Our direct exposure is about 11% of our overall AUM of INR12,309 crores. But I think the way we look at it, in the balance, 9% of the balance sheet to what you are referring to, we will have adequate cover both in terms of the cash flows, the underlying assets and the corporate support to structure. So, we are pretty confident in that.

Anant Mundra: Okay. And are we carrying any provisions on the 9% that you mentioned?

Ashish Mehrotra: we obviously carry a good book provision. Further, we carry provisions basis the stage in which the account falls.

Anant Mundra: Okay. Okay. So, that includes that. All right. All right. That was it from my end. Thank you.

Ashish Mehrotra: Thank you.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sirs.

Ashish Mehrotra: So, thank you all for joining us today and let me take this opportunity to wish you all a very happy festive season. More importantly, Happy Diwali and a prosperous New Year. Thank you all for spending time with us today. Thank you.

Moderator: Thank you. On behalf of Northern Arc, which concludes this conference. Thank you all for joining us. You may now disconnect your lines.